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**CEDAM Remarks Regarding  
MSHDA's Proposed QAP for the 2008-2009 LIHTC Program  
September 21, 2007**

On behalf of CEDAM's nearly 400 members, including CDCs, community action agencies and partners providing affordable housing across the state, CEDAM offers the following observations regarding the draft 2008-2009 LIHTC QAP.

We first extend our thanks to MSHDA staff for assistance in reviewing aspects of the draft QAP and the data and policy assumptions that underlie it. In drafting a summary of these changes for the benefit of our members in late August, we turned to MSHDA staff for clarification and insight and to share our preliminary concerns regarding the operationalization of the draft, and found an openness to discuss these issues. We now present these comments in the same spirit of openness with the hope that it results in an improved draft and ultimately a more effective LIHTC allocation plan that benefits the citizens of Michigan.

To be clear, CEDAM is in the unique and somewhat difficult position of representing nonprofit affordable housing agencies from all regions of our state, at all ranges of capacity, and at all levels of experience delivering supportive services, homeless programs, LIHTC deals and comprehensive community-building activities. The need for resources to support the services provided by CEDAM's members is great—far in excess of what any one program can possibly meet. This unfortunate reality limits CEDAM's ability to fully address—on behalf of ALL of our members—the policy implications of holdbacks and service targeting that are a hallmark of the new draft QAP. We have been clear with our members on this point and have instead focused on helping them identify and understand the nature of proposed changes and on encouraging their involvement in these public hearings. The comments that follow, therefore, represent those issues on which we believe there is relative consensus among CEDAM members or which have already been entered into public record as part of CEDAM's July 2007 LIHTC Recommendations.

**Changes supported by CEDAM members**

1. Rewarding of merit-based proposals/ elimination of the lottery

It is encouraging that MSHDA favors a return to a merit-based proposal review process and an end to the lottery which left credit awards to chance. While the lottery proposed to provide more opportunity for smaller organizations and projects to be funded, the result frustrated the ability of quality but "unlucky"

projects to be implemented and favored applicants with the deepest pockets. The inclusion of a cure period for minor or technical deficiencies supports this return to a focus on substantive project merit.

2. Alignment of LIHTC with state programs and MSHDA policy priorities

The draft QAP discusses at length the policy priorities and state initiatives that guide it. We believe this provides greater predictability for our members and that, combined with the elimination of the lottery, there is increased potential for a rational allocation of credits that meets the affordable housing goals of the state.

3. Inclusion of supportive housing holdback

CEDAM members generally favor the inclusion of supportive housing as a laudable goal of the LIHTC program with the caveat that it will be difficult to fund and may overwhelm weaker organizations (more on that below).

**Changes of concern to CEDAM members**

1. Workforce requirements/ Davis-Bacon

At the August 30<sup>th</sup> QAP Dialogue in Flint, MSHDA staff indicated that the rationale for requiring that LIHTC projects meet Davis-Bacon and local prevailing wage requirements was to further tackle the problem of pervasive childhood poverty in many Michigan communities. It has since been suggested that the beneficiaries of these requirements are not in fact low-income neighborhood residents, and that the net result in certain communities will be skyrocketing project costs, burdensome paperwork and fewer deals. CEDAM suggests addressing this important goal by some other means.

2. Inclusion of supportive housing holdback

While CEDAM members are fundamentally in support of this goal as indicated above, many are concerned by the lack of adequate subsidy to properly serve supportive housing clients, by the lack of experience of many of those who will be taking on such activities, and by the special focus on the chronically homeless. CEDAM is committed to working with our partners to provide technical support and assistance to ensure adequate implementation of this goal, but we are concerned about the ability of our industry and of MSHDA to identify adequate funding to meet the need.

3. Elimination of preservation holdback

CEDAM members around the state share a concern that preservation of existing units of affordable housing is critical, especially to urban neighborhoods struggling to maintain stability amidst a rash of foreclosures and to rural

communities where small preservation projects are both feasible and appropriate. It has been indicated that preservation projects may receive preference under the scoring system, but this alone may not accomplish what a holdback for preservation projects does.

4. Lack of scoring information, addenda

Perhaps the most critical area of concern to our members is the as-yet unavailable information on how proposals will be scored and other missing information from the draft QAP. For many of our members it is difficult if not impossible to provide meaningful comment on the QAP at this time (with serious implications for the Timing issue discussed below). At the August 30<sup>th</sup> Dialogue in Flint, it was suggested that MSHDA provide as soon as possible a matrix outlining how the various holdbacks and the scoring system will work together to allow industry partners to consider the impact on their programs and communities. The absence of this information before scheduled public hearings is problematic for a process where partners are attempting to provide open and constructive feedback.

5. Timing

In CEDAM's July recommendations, we advocated for incremental changes to any new QAP to allow our members and partners an opportunity to understand fully and respond to the implications of any new requirements. It has been suggested by some that the holdbacks do not in fact result in a radically different picture than what occurred in pre-lottery rounds, and, therefore, substantial time to retool is unnecessary. However, without the opportunity to review the scoring sheet, application packet, and vet the implications of the new threshold requirements, a December application deadline seems unrealistic. We regret that these discussions and hearings did not occur earlier in the year to facilitate an effective Fall 2007 round under a new QAP. For this reason-- while we are opposed to inclusion of a lottery process moving forward-- it is our recommendation that a final round using the existing QAP be held as soon as possible to allow development activity to occur while the details of a new allocation plan are fine-tuned.

Again, thank you for the opportunity to provide these comments on behalf of our members. CEDAM looks forward to being further engaged—and to engage our members directly— in this review process. Thank you.

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